

**ECONOMIC DEVELOPMENT AUTHORITY
CITY OF RAMSEY
ANOKA COUNTY
STATE OF MINNESOTA**

The City of Ramsey Economic Development Authority (EDA) conducted a regular meeting on Thursday, October 11, 2012, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Chairperson Chris Riley
 Member John LeTourneau
 Member Colin McGlone
 Member Wayne Skaff
 Member Jim Steffen
 Member Kristine Williams
 Member Jeffrey Wise

Members Absent: None

Also Present: Patrick Brama, Management Analyst
 Tim Gladhill, Development Services Manager
 Mike Mulrooney, ACG

Guests: Brian Burandt, Connexus Energy
 Jim Gromberg, State of Minnesota DEED

1. CALL TO ORDER

Chairperson Riley called the Economic Development Authority meeting to order at 7:35 a.m.

2. APPROVE AGENDA

Motion by Member Skaff, seconded by Member LeTourneau, to approve the agenda.

Motion carried. Voting Yes: Chairperson Riley, Members Skaff, LeTourneau, McGlone, Steffen, Williams, and Wise. Voting No: None. Absent: None.

3. APPROVE MINUTES

3.01: Approve Meeting Minutes Dated September 6, 2012, and September 13, 2012

Motion by Member LeTourneau, seconded by Member Skaff, to approve the minutes dated September 6, 2012, and September 13, 2012.

Motion carried. Voting Yes: Chairperson Riley, Members LeTourneau, Skaff, McGlone, Steffen, Williams, and Wise. Voting No: None. Absent: None.

4. EDA BUSINESS

4.01: Guest Speaker – Don Haller, Connexus Energy

Management Analyst Brama introduced Mr. Brian Burandt from Connexus Energy.

Mr. Burandt presented a diagram showing the Connexus Energy service area and stated he has met with several cities in the territory to discuss available land for a data center and the best place in Anoka County is the former municipal center in terms of land, available fiber, and electrical capabilities. He advised that the planned upgrade of the Crooked Lake to Enterprise Park transmission line will upgrade this line from 69,000 volts to 150,000 volts and will easily serve a data center on this site. He discussed rates, rebates, and reliable electric service and stated that Connexus Energy will provide a discounted rate with a five-year guaranteed discount for the site similar to the discounted rate provided to Vision-Ease. He indicated that rebates are also available including Shovel Ready rebates where Connexus Energy would cover the application expense of \$3,000 payable to DEED in order to have the site certified as Shovel Ready. He reviewed the SAIDI electrical interruption index and stated Connexus Energy customers experience far shorter interruptions on average than other utilities across the country, which is important to a data center. He stated that data centers are one of the most highly requested sites and Connexus Energy is excited about this opportunity to partner with the City.

4.02: 15153 Nowthen Blvd, Old City Hall Site, Consider Future Development

Management Analyst Brama explained this site includes three parcels owned by the City and is worth approximately \$1.5 million, is zoned quasi-public, and is surrounded by residential properties. He indicated that at its last meeting, the EDA directed staff to research options for the site and this research was conducted by Mr. Mike Mulrooney.

Mr. Mulrooney stated that this site is 20.86 acres, which could accommodate a data center of approximately 250,000 square feet either as a single story facility or multiple buildings. He stated that a data center would provide a significant positive impact to the local tax base and most data centers have an average estimated market value of \$120 per square foot or \$30 million in the case of a 250,000 square foot facility. He advised that the commercial/industrial property tax impact from this would be approximately \$1.19 million annually with the City's share being \$268,000; conversely, a residential housing development with 60-80 homes on the site would have an approximate \$15-20 million market value with tax revenue of approximately \$150,000-\$200,000 annually with the City's share being \$35,000-\$50,000. He encouraged the City to also consider the costs associated with serving a residential development versus a commercial/industrial property, e.g., public safety costs.

Management Analyst Brama pointed out that things can change and a 250,000 square foot facility is not guaranteed but represents an estimation of what could happen at full capacity on this site. He also pointed out that a data center is not a high job producer and data center sites are frequently classified as storage units instead of commercial businesses. He stated that funding packages for data centers available in the City include SBA loans, tax abatements, subsidized

power rates, and/or the Minnesota Investment Fund (MIF) and provided examples of similar projects in Chaska and Duluth. He then introduced Mr. Jim Gromberg from the State of Minnesota DEED office.

Mr. Gromberg explained that the Shovel Ready program is a DEED program that certifies a site as "shovel ready" and certifies that the site has clear title, correct zoning, and is ready for sale and construction of a building.

Management Analyst Brama stated that the Fire Station on the site will need to be addressed; in addition, the City will need to locate relevant historical documents regarding the site in order to become a shovel ready site. He advised that the City's future plans include moving the Fire Station to a new location but the timeline for relocating the Fire Station is not yet known. He stated the Fire Chief has indicated that the Fire Station could move to a temporary location if necessary. He stated the shovel ready certification requires historical surveys, documents, and maps so that when a developer steps forward they know the site is shovel ready. He indicated that Hakanson Anderson did a lot of the work on this site in the past and staff is working with them to locate these historical documents but if the documents cannot be located, some work will need to be redone and will take some time to complete. He advised that the cost estimate for the shovel ready certification is \$20,000.

Member McGlone expressed support for pursuing a data center on the site and felt this would fit well with the City's plan to handle its excess land inventory.

Member Wise stated if a proposal for residential development comes in, he does not want to hold the site for a data center. He added it will be important to figure out the impact of a data center to the surrounding neighbors and to consider the costs of demolition and building a new fire station. He asked if a data center would always be a stand-alone building or if it could be attached to other users.

Mr. Gromberg explained that a couple of data centers in St. Paul are co-located noting that this can result in security issues for the data centers themselves. He stated the City may wish to consider leaving the Fire Station on the site for now and build a data center on the triangular piece of property at the southern corner. He described how the MIF fund could be used to help a company develop the site and indicated the State has created certain criteria for data centers to meet that allows data centers to receive exemption from sales tax for the next 20 years and they can also apply for a rebate of sales tax on energy costs.

Member Skaff expressed support for pursuing a data center on the site and asked if there were any zoning issues with the property.

Development Services Manager Gladhill stated the City will likely have to use some employment type zoning and requested that staff be allowed to formulate a zoning plan for the site and work with the neighborhood so there are no surprises.

Motion by Member Skaff, seconded by Member LeTourneau, to recommend that the City Council move forward with the Shovel Ready certification of the old City Hall site.

Motion carried. Voting Yes: Chairperson Riley, Members Skaff, LeTourneau, McGlone, Steffen, Williams, and Wise. Voting No: None. Absent: None.

It was the consensus of the Economic Development Authority to move forward with completion of shovel ready certification, to rezone and apply for Comprehensive Plan amendment through the Met Council, to develop sketch plans/options for development of the site, to conduct an abatement assessment, and to update the City Council on the intentions of the EDA at a work session and ask for support moving forward.

Management Analyst Brama advised that staff will be working with Connexus Energy and other partners, including Great River Energy and Anoka County, and will provide more information regarding the data center prospect to the EDA in the near future.

4.03: Revolving Loan Fund Application (RLF)

Mr. Mulrooney indicated this item was discussed at the last EDA meeting and the owners have now reached a successful conclusion with the landlord for this fitness facility. He stated that total costs are \$177,000 with \$54,000 used for working capital, \$54,000 used for equipment, and \$69,000 used for leasehold improvements. He indicated the landlord has agreed to finance the majority of the leasehold improvement costs and the owners received a financing commitment from Bremer Bank subject to City participation. He stated the owners are requesting a \$34,500 RLF loan at 3.25% fixed for ten years, which is also the term of their lease. He stated that from a collateral standpoint, the loan would be in a junior position to the Bremer SBA loan and the ability of the guarantors to repay the debt was closely reviewed. He indicated that the owners have excellent credit scores and in his professional opinion, the likelihood of repayment on the RLF loan in the event the business is not successful is strong and he regards this as a low risk loan on the part of the EDA. He recommended that the EDA approve the RLF request subject to Bremer Bank approval, clear title to the assets, filing a UCC on the fitness equipment, execution of the loan agreement, and personal guarantees from the owners in the project.

Chairperson Riley questioned the ten-year term of the RLF.

Mr. Mulrooney stated that the ten-year term of the RLF matches the term of the SBA loan from Bremer Bank.

Member Wise stated that fitness equipment is replaced frequently and expressed concern that the EDA would be borrowing them money on equipment that will be sitting in recycling.

Mr. Mulrooney explained that the equipment being used in the business is not typical fitness equipment such as that found at Lifetime Fitness. He stated the owners are putting in substantial equity of \$34,500, which is 20% of project costs, adding that the owners have additional equity that could be put into the project if needed but they want to preserve cash equity for operating purposes recognizing that this is a start-up business.

Member McGlone disagreed that this loan was low risk and stated the nature of the business makes this high risk, the fitness equipment will be worthless which makes it high risk, and the term of the loan makes it high risk. He stated for these reasons he will oppose this loan and felt this was not a wise loan to be making.

Member Steffen asked how difficult it would be to enforce the personal guarantee.

Mr. Mulrooney felt that if the business failed the EDA would not have to enforce the personal guarantee and the loan would be paid off in full.

Member LeTourneau asked if this loan request met all of the RLF criteria.

Mr. Mulrooney replied in the affirmative.

Motion by Member LeTourneau, seconded by Member Skaff, to approve the proposed City of Ramsey Economic Development Authority Revolving Loan Fund Application.

Motion carried. Voting Yes: Chairperson Riley, Members LeTourneau, Skaff, Steffen, and Williams. Voting No: Members McGlone and Wise. Absent: None.

4.04: Prospect Update, Mike Mulrooney

Mr. Mulrooney reported he has been working with a manufacturing prospect on expansion of its current 40,000 square foot facility to a 60,000-80,000 square foot facility. He stated there are two sites available and further information will be provided at the next EDA meeting.

4.05: Anoka County HRA, Economic Development Activities

Chairperson Riley stated the EDA received direction from the City Council on Tuesday that the City will not be asking for EDA participation; as a result, the EDA does not need to discuss this item.

4.06: Business Retention & Expansion Program Introduction, Continued

Chairperson Riley asked if the EDA was in agreement that staff should proceed as outlined in the staff memo.

It was the consensus of the Economic Development Authority to approve the proposed plan for a business retention and expansion program.

4.07: 2013 EDA Budget

Chairperson Riley asked if there was anything in the 2013 EDA budget that is contrary to the EDA work plan. He also asked if the EDA was interested in further discussing the 2013 EDA budget as presented.

Management Analyst Brama felt staff was in a position to move forward with the goals listed.

It was the consensus of the Economic Development Authority that no further discussion regarding the 2013 EDA budget was warranted at this time.

4.08: Ramsey EDA Business Networking Breakfast Event Update

Management Analyst Brama requested that Chairperson Riley present introductory remarks and emcee the event. He also requested that Member LeTourneau assist with the group discussions.

4.09: Demolition of Buildings Located on 8020 147 Avenue NW, Update

Chairperson Riley stated this item would not be discussed at this time.

4.10: City Owned RALF Properties, Leasable Space Update

This item was not discussed due to lack of time.

5. Member/Staff Input

Member Steffen requested an update regarding the job posting for the economic development position and asked if the position will be filled in January.

Management Analyst Brama advised that the position will be posted at the start of the year and the position will not likely be filled until March. He added it will depend on how the position shakes out and will depend on decisions made at the City Council and HRA levels.

6. Adjournment

Motion by Member LeTourneau, seconded by Member Steffen, to adjourn the meeting.

Motion carried. Voting Yes: Chairperson Riley, Members LeTourneau, Steffen, Williams, LeTourneau, McGlone, and Skaff. Voting No: None. Absent: Member Wise.

The regular meeting of the Economic Development Authority adjourned at 9:04 a.m.

Respectfully submitted,

Kurtis G. Ulrich, City Administrator

ATTEST:

Patrick Brama, Management Analyst

Draft by Barbara Hughes, *TimeSaver Off Site Secretarial, Inc.*